

**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Boston Edison Company

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D.T.E. 01-108

**INITIAL BRIEF OF BOSTON EDISON COMPANY**

William S. Stowe  
Assistant General Counsel  
NSTAR Electric & Gas Corporation  
800 Boylston Street  
Boston, MA 02199

Dated: February 28, 2002

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**I. INTRODUCTION**

This proceeding concerns the rate design and level of Boston Edison Company's ("Boston Edison" or the "Company") Rate WR now that the sole customer on that rate, the Massachusetts Water Resources Authority ("MWRA") for service to its Deer Island Treatment Facility, has elected to leave Standard Offer Service and has commenced receipt of generation supply from a competitive supplier.

Since the implementation of electric industry restructuring on March 1, 1998, and until the MWRA's decision to leave Standard Offer Service as of November 1, 2001, the MWRA has received service under a succession of Rate WR tariffs that differ significantly from the rates of Boston Edison's remaining retail-tariffed customers. In order to meet statutory rate reduction requirements, the Rate WR rate class has been the only tariffed rate class with rates that were not designed to collect the full Transition Charge and with rates for "Delivery Services" that have not been fully unbundled into separate components for Distribution, Transmission and Transition. Accordingly, the bundled rate design resulting from the statutory directive to provide an overall discount to Standard Offer Service customers has obscured the fact that the WR rate class has made a substantially lower contribution on a cents per kilowatt-hour ("kWh") basis to the

Company's Transition Charge than all other tariffed rate classes. Now that the MWRA has left Standard Offer Service, the statutory discount is no longer applicable and Boston Edison has proposed to conform Rate WR to all of its other rates to provide a fully unbundled rate design with full undiscounted recovery of all prescribed rate elements. As a practical matter, from Boston Edison's standpoint and from that of its other customers, all additional revenues from the MWRA will flow to the Company's fully reconciling Transition Charge and will result in the Rate WR rate class providing the same per kWh contribution to the Transition Charge as all other rate classes. None of the additional revenues flow to Boston Edison's Distribution Charge or to Boston Edison shareholders.

Ultimately, Boston Edison believes that this is a relatively simple case with very few facts that are relevant and likely to be disputed. There is clearly one key legal, or regulatory policy, issue concerning whether the Rate WR rate class should pay fully unbundled rates with full undiscounted payment of applicable rate components, including the Transition Charge, on the same basis as all other rate classes. For convenience of the Department and at the request of the Hearing Officer, Boston Edison has summarized what it perceives as the few necessary findings of fact and conclusions of law in a separate appendix.

## **II. BACKGROUND**

The Department of Telecommunications and Energy (the "Department") initially approved a separate rate to serve the MWRA's Deer Island Treatment Facility in Harbor Electric Energy Company/Boston Edison Company, D.P.U 90-288 (1991). As a part of that Order the Department approved an Interconnection and Facilities Support Agreement dated August 14, 1990 among Boston Edison, MWRA and Harbor Electric Energy

Company (“HEEC”), whereby HEEC agreed, pursuant to a separate project financing arrangement, to construct a 115 kV cable across Boston Harbor to interconnect Boston Edison’s K Street Station in South Boston to Deer Island. D.P.U. 90-288, at 7-8, 13-14; Exh. DTE-3-2. In addition that Order also approved an Electric Power Supply Agreement dated August 14, 1990 between Boston Edison and MWRA, whereby Boston Edison agreed to supply power to MWRA using the HEEC-installed 115 kV cable.<sup>1</sup> A principal feature of the Electric Power Supply Agreement was the establishment of a separate Rate WR for the MWRA, as to which the Department noted:

“The rate schedules outlined in the Power Supply Agreement are designed in a manner consistent with BECo’s other retail rates, to recover the costs BECo will incur serving the MWRA’s load on Deer Island. The applicants contend that a separate rate agreement is necessary for the MWRA’s Deer Island load because BECo does not have an existing rate class that reflects the characteristics of that load. Specifically, the MWRA’s load is unique in that it will not be delivered below the 115 kilovolt level. With the exception of its contracted rate with the MBTA, all of BECo’s existing retail rates include costs associated with delivering electric energy at or below the 14 kilovolt level.” (citations omitted)

D.P.U. 90-288, at 9. Notably, aside from the exclusion of substantially all distribution costs below 115 kV, except metering, from the determination of rates, Article 4.2 specifically provides that “new charges generally applicable to all tariffs” shall be included as part of Rate WR. In approving the agreement, the Department found “that the proposed rate structure designed for the specific delivered voltage level, load

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<sup>1</sup> In a subsequent agreement driven by the MWRA’s requirement for an extremely reliable backup electric power supply on Deer Island, Boston Edison agreed to construct for the MWRA backup electric generation facilities on Deer Island. Exh. DTE-3-1, Attachment DTE-3-1(A). Almost immediately upon the completion of construction the MWRA purchased these facilities from Boston Edison, and they continue to be available for the MWRA’s backup supply purposes. Exh. DTE-3-1, Attachment DTE-3-1(B). These facilities were constructed entirely at the request of the MWRA and were never a part of Boston Edison’s generation supply portfolio or the basis of stranded cost recovery. Exh. BEC-3, p. 2.

characteristics and requirements of the MWRA is reasonable and that the proposed WR Rate reflects anticipated costs and revenue requirements.” Id., at 13.

Boston Edison provided service to the MWRA pursuant to Rate WR, substantially in the form in which that rate was originally established,<sup>2</sup> up until the inception of electric restructuring and the passage of the Electric Restructuring Act, Chapter 164 of the Acts of 1997.

Effective March 1, 1998, Boston Edison implemented a new set of rates for all retail customers, including the MWRA, as a result of the Electric Restructuring Act and pursuant to a Restructuring Settlement Agreement that was approved by the Department in Boston Edison Company, D.P.U./D.T.E. 96-23 (1998).<sup>3</sup> Two key principles underlying these new rates were the unbundling of rates to separately reflect charges for generation, transmission, distribution and all other charges required by law (see G.L. c. 164, §1D) and the provision of mandatory minimum rate reductions. See G. L. c. 164, §1B(b).<sup>4</sup> As was discussed by the Department at some length in its Order, Rate WR presented a number of difficult rate design issues. Among these was the initial obstacle that Rate WR was not included in the Restructuring Settlement Agreement because of the perception (subsequently mooted by the Electric Restructuring Act) that Rate WR was established pursuant to a “special contract.” See D.P.U./D.T.E. 96-23, at 32-38. In approving a new Rate WR, the Department specifically considered and rejected a number

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<sup>2</sup> There was one intervening general rate case, D.P.U. 92-92, as a result of which the rate level of Rate WR was changed, although the separate rate design was retained. See RR-MWRA-2.

<sup>3</sup> Specifically, the Department found that the Restructuring Settlement Agreement was “consistent with or substantially complies with” the provisions of G.L. c. 164, §1A(a). D.P.U./D.T.E. 96-23, at 73.

<sup>4</sup> Most notably for purposes of this case, the cited provision of G.L. c. 164, §1B(b) specifically names the MWRA among the customers who are to receive an overall rate discount linked to their receipt of Standard Offer Service: “A distribution company shall provide a standard service transition rate which, together with the transmission, distribution, and transition charges, produces for such a service

of alternatives, including, in particular, alternatives that would include a negative distribution component. Id., at 37-38. Eventually, the Department approved a partially bundled rate design which did not separately state individual charges, but served to provide the mandated overall rate reduction. Id.

Following initial implementation of the restructured Rate WR in March, 1998, Boston Edison has subsequently revised all of its retail tariffs, including Rate WR, on a number of occasions to reflect the crediting of the sale of the Company's generation assets and as a part of the annual Transition Charge reconciliation process. See Boston Edison Company, D.T.E. 97-113; Boston Edison Company, D.T.E. 98-111; Boston Edison Company, D.T.E. 99-107; Boston Edison Company, D.T.E. 00-82. In two of these proceedings, the MWRA was an active intervenor, protecting its rights to the continued receipt of the statutory discount and with respect to the methodology for reconciliation of transition costs and revenues. See D.T.E. 97-113; D.T.E. 99-107. In D.T.E. 97-113 Boston Edison and MWRA agreed to maintain the percentage rate reduction for the WR rate class insofar as practicable at the average of the percentage rate reductions for other rate classes, "at least until such time as Boston Edison and MWRA have entered into an overall settlement of WR rate issues, or MWRA has elected to leave Standard Offer Service, or there has been a Department-approved unbundling of the WR Delivery Services rate components." (emphasis added) See Stipulation dated April 14, 1998, Docket D.T.E. 97-113 (copy included as part of RR-DTE-3). In Boston Edison's annual Transition Charge reconciliation proceedings, the fact that Rate WR retained a bundled "Delivery Services" charges, with no separately stated charges for Transition,

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package for all retail customers including the facilities on Deer Island operated by the Massachusetts Water Resources Authority, ... a rate reduction of at least 10 per cent beginning on March 1, 1998."

Distribution and Transmission, created a particular difficulty when seeking to reconcile costs and revenues for the Transition and Transmission Charges that were intended to be fully reconciling. Ultimately, as approved by the Department in D.T.E. 99-107 and D.T.E. 00-82, a method for apportioning bundled MWRA "Delivery Services" revenues among the components of Distribution, Transmission and Transition was developed which recognized an embedded under-recovery of Transition Charges from Rate WR.<sup>5</sup> The Company noted in each case that the bundled rate design of Rate WR was specifically predicated on the fact that the MWRA was a recipient of Standard Offer Service, and thereby entitled to receive the statutory rate reduction. The Company also clearly stated its intention to revisit the issue of WR rate design at such point as the MWRA would seek to leave Standard Offer Service.<sup>6</sup> See Exh. BEC-1, p. 2, footnote 1, and citations contained therein; Exh. BEC-2, pp. 3-4; Exh. BEC-5, pp. 7-8.

In the fall of 2001, Boston Edison became aware that the MWRA was actively considering leaving Standard Offer Service. The Company wrote the MWRA expressing its concern and subsequently met with the MWRA to discuss the matter. Exh. DTE 1-3; Exh. BEC-10, pp. 2-3. When Boston Edison and MWRA were unable to resolve the issue of what rate should apply upon leaving Standard Offer Service, Boston Edison filed the proposed tariff, M.D.T.E. No. 974, which is the subject of this proceeding. See Exh. BEC-1; see also Exh. BEC-10. On December 21, 2001, the MWRA filed a Petition to Intervene and a Motion of the MWRA for Suspension and Investigation of Proposed Rate

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<sup>5</sup> It should be noted that the Company agreed to modify its proposed allocation of Delivery Services revenues directly in response to testimony presented by the MWRA. See Exh. DTE-1-4, Attachment DTE-1-4(B), p. 9.

<sup>6</sup> It should be pointed out that the Company clearly indicated that the preferable course of action at such time as the MWRA would seek to leave Standard Offer Service, would be to resolve issues of future Rate WR rate design through negotiation. See Exh. DTE-1-4, Attachment DTE-1-4(B), pp. 10-11.

WR, Tariff M.D.T.E. No. 974 (the "Suspension Motion") seeking to suspend the proposed tariff. On the same date, the Company filed a reply to the MWRA's Suspension Motion.

On December 27, 2001, the Department issued an Order suspending the proposed application of M.D.T.E. No. 974 until April 1, 2002 and opening the present docket for the purpose of further investigation. Boston Edison Company, D.T.E. 01-108 (December 27, 2001). The Department subsequently issued a public notice, and thereafter conducted a public hearing and procedural conference on January 23, 2002. Admitted as parties to the proceeding in addition to Boston Edison were the MWRA and the Attorney General. Following the submittal of pre-filed testimony by both the MWRA and Boston Edison and a period of discovery, an evidentiary hearing was conducted on February 14, 2001. At this hearing, testimony was presented by Henry C. LaMontagne, Director of Regulatory Policy and Rates for the regulated operating companies of NSTAR, the parent company of Boston Edison. Presenting testimony for MWRA was Lee Smith, a managing consultant at LaCapra Associates. A total of 35 exhibits were marked into evidence, including all discovery responses. Following the hearing, a total of 15 responses to record requests were submitted as a part of the record. A briefing schedule was established calling for initial briefs by February 28, 2002 and reply briefs by March 7, 2002.

### III. ARGUMENT

#### A. **The Proposed M.D.T.E. No. 974 Is Consistent with the Electric Restructuring Act, the Electric Power Supply Agreement and Applicable Ratemaking Principles**

The basic principle underlying the proposed unbundled Rate WR, M.D.T.E. No. 974, is that the MWRA should pay unbundled rates with the same rate components determined in the same cost-based and non-discriminatory manner as for every other rate class. Such principle is fully consistent with the Electric Power Supply Agreement, which explicitly provides that Rate WR shall be subject to “new charges generally applicable to all tariffs.” See Exh. DTE-1-1, Article 4.2. Since the advent of electric restructuring, Rate WR alone has retained a bundled “Delivery Services” charge, contrary to the express direction of General Laws c. 164, § 1D, and with no separate itemization of generally applicable charges that are in fact paid by all other rate classes. Moreover, as a result of the required statutory discount, Rate WR has contributed Transition Charge revenues on a per kWh basis at a level significantly below that of all other rate classes.<sup>7</sup>

Such special treatment of Rate WR has been justified to date solely by the fact that the MWRA has been a recipient of Standard Offer Service and thereby guaranteed an overall rate discount. Since November 1, 2001, however, the MWRA has left Standard Offer Service and thus the basis for this special treatment has ceased. In these circumstances, basic ratemaking principles associated with the establishment of non-discriminatory cost-based rates support the unbundling of Rate WR in the same manner

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<sup>7</sup> Prior to the implementation of the “rate design adjustment” which was approved by the Department in D.T.E. 00-82, there were in fact small differences among rate classes in the average amount of Transition Charge on a per kWh basis. Following implementation of that adjustment, such variations have been removed, leaving the Rate WR rate class as the only rate class not paying the full Transition Charge. The effect of this adjustment on a rate class basis has been acknowledged by Ms. Smith. Exh. MWRA-LS, p. 8.

as all other rate classes and require the full undiscounted payment of all rate components in the same manner as all other rate classes. Exh. BEC-2, pp. 7-8.

One issue which merits further discussion is the requirement that each rate class pay a uniform Transition Charge. The Company regards this as a firm legal requirement, emanating, at a minimum, from the Restructuring Settlement Agreement approved by the Department in D.P.U./D.T.E. 96-23 as “consistent with or substantially compl[ying] with” Chapter 164 of the General Laws, and consistent Department precedent. Within the Restructuring Settlement Agreement, Section I.B.1.(c) specifies the uniform initial level of access charge “for each rate class.” Section I.B.4 contains a specific reference to the “uniform cents per kilowatt-hour access charge.” More fundamental than these references, however, is the fact that this is how all of Boston Edison’s (and, to the best of our knowledge, all other Massachusetts distribution companies’) rates have been designed, and annually reconciled, since the start of restructuring. For example, in rejecting a proposal to implement a different access charge for each rate class, the Department determined: “that a uniform access charge for a rate is the proper way to design rates and is consistent with other companies’ rates. See D.P.U./D.T.E. 97-111. Uniformity among all classes ensures fairness and avoids discrimination” Fitchburg Gas and Electric Light Company, D.T.E. 97-115/98-120, at 40 (1999).<sup>8</sup>

If the MWRA proposal were adopted, Rate WR would not recover the uniform Transition Charge and the rate would result in an unjustifiable, unfair discrimination in

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<sup>8</sup> In this regard, and with respect to this particular rate class, it is of at least some passing note to refer to the transcript of hearings in D.P.U. 90-288 wherein the Department initially approved the Electric Power Supply Agreement and Rate WR, and where the issue of generation planning for MWRA load was explicitly addressed. See RR-AG-1, Attachment RR-AG-1-B, pp. 55-57. (Witness Francis X. McCall discussing MWRA’s future load projections: “...a significant portion of Boston Edison’s load. As such, it is going to factor into our generation planning and we will be planning to meet that load.”)

relation to the Company's other customers. Accordingly, the Company's tariff proposal properly applies the provisions of the Company's approved Restructuring Settlement Agreement, and Department precedent.

**B. The Impact of the Proposed Rate on the MWRA Is Not Unreasonable**

Accompanying the filing of M.D.T.E. No. 974 (Exh. BEC-1, Attachments A and B), and supplemented in the Company's pre-filed testimony (Exh. BEC-2, attached "Exhibits BEC-HCL-1 and -2"), in a response to a Department information request (Exh. DTE-2-2), in a separate exhibit presented during hearings (Exh. BEC-11; see Tr. 30-31) and in a record request response (RR-DTE-1), the Company has presented a number of comparisons showing the impact of the proposed new Rate WR on the MWRA from a number of different perspectives. Without seeking to go through the details of each comparison, or seeking to defend the estimates or assumptions embodied in each, Boston Edison believes that at least two possible conclusions are evident.

First, taking into account the rates the MWRA would have paid, had they stayed on Standard Offer Service, versus the total energy costs they would pay under the proposed M.D.T.E. No. 974 methodology, it appears that the MWRA will achieve substantial "additional" savings (i.e., approximately \$800,000) over the seventeen-month term of the competitive supply arrangement they have entered. Exh. BEC-11; Tr. 30-31; see also Exh. BE-1-1 for a copy of the contract and Exh. BE-1-2 for contract prices actually paid in November-December 2001. These savings are present even considering the higher "Total Delivery" charges attributable to payment of full undiscounted Transition Charge. Obviously, the accuracy of the comparison ultimately depends on prices that are finally paid under the MWRA's competitive supply contract; however, it

must be recalled that it was the MWRA's voluntary decision (which so far appears to be a good one) to leave the safe haven of Standard Offer Service and guaranteed rate reductions, in order to seek additional savings through the competitive market.<sup>9</sup>

Second, focusing solely on the Delivery Service component, it is apparent that the proposed M.D.T.E. No. 974 represents an increase in Delivery Service payments, as compared to a tariff based upon the false assumption that the MWRA were still receiving Standard Offer Service. See Exh. DTE-2-2; RR-DTE-1. This increase, however, simply represents the payment of the full undiscounted Transition Charge, putting Rate WR on the same basis as all other rate classes. As noted by Mr. LaMontagne, all such additional revenues to Boston Edison will be accounted for as additional credits to the Company's fully reconciling Transition Charge and will thus enure through the Transition Charge reconciliation process to the benefit of all Boston Edison customers. Tr. 133-134.

Accordingly, Boston Edison concludes that the proposed M.D.T.E. No. 974 does not create significant net negative impact on the MWRA when compared to their option to stay on Standard Offer Service, while at the same time the proposed rate does create a positive benefit for all remaining customers.

**C. The MWRA's Objections to the Proposed Rate Are Insufficient to Warrant Retention of the Prior Bundled Rate WR Methodology with a Reduced Transition Charge Contribution**

In response to the filing of M.D.T.E. No. 974, the MWRA has raised a number of arguments and objections. See Exh. MWRA-LS, p.2; Suspension Motion, paragraph 14. While some of the MWRA's points have some limited validity, it is the Company's view

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<sup>9</sup> Moreover, although the MWRA has argued that the proposed Rate WR creates a "penalty" on the exercise of their right to choose a competitive supplier (see Exh. MWRA-LS, p. 2), the MWRA has not yet been heard to argue that the new rate would lead to a significant net negative cost impact. In fact,

that none of these objections are sufficient to overcome the very strong presumption that the MWRA should pay rates determined on the same basis as all other retail rate classes.<sup>10</sup>

Based upon review of the Direct Testimony of Lee Smith and the MWRA's Suspension Motion, it appears that there are four primary arguments advanced as to why the proposed M.D.T.E. No. 974 should not be approved. These include arguments that Rate WR is entitled to a lower Transition Charge than other rate classes, that the proposed tariff creates a disincentive or penalty for exercising the right to choose an alternative supplier, that the proposed tariff treatment is inconsistent with prior Department rulings concerning Rate WR, and, finally, that the proposed tariff violates the "rate freeze" approved by the Department as a part of the NSTAR merger. Exh. MWRA-LS, p. 2; Suspension Motion, paragraph 14. In addition, the MWRA's witness, Lee Smith, has suggested an alternative approach for treatment of Rate WR. Exh. MWRA-LS, pp. 2, 10-11.

Turning first to the argument that there are valid reasons why the MWRA should have a lower Transition Charge than other rate classes, it appears that such argument is largely based upon the premise that the MWRA is a "unique" customer. *Id.*, at 2-3. Boston Edison is in complete agreement, of course, that the MWRA is unique. Boston Edison does not necessarily agree, however, that the various unique attributes that have

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it appears that the MWRA has improved upon the originally guaranteed statutory discount, even considering the full payment of Transition Charges.

<sup>10</sup> The MWRA has sought to establish on several occasions the fact that the MWRA is "unique" as a retail customer, either from the standpoint of size, the nature of their load, or the manner of power delivery. *See, e.g.*, Exh. MWRA-LS, p. 2. On a virtually equal number of other occasions, the MWRA has sought to emphasize that Rate WR is a cost-based rate similar to all of the Company's other rate classes. *Id.*, at 3. The Department has aptly noted that certain aspects of Rate WR

been cited justify a different treatment for the MWRA when it comes to the uniform imposition of a Transition Charge on all customers, consistent with the Restructuring Settlement Agreement and the manner in which the Transition Charge has been implemented for Boston Edison and all other Massachusetts distribution companies since the outset of electric restructuring. See Section III. A, supra. Moreover, in a number of key respects, it is not at all clear that the MWRA is as unique as they purport to be, or that such uniqueness justifies a different Transition Charge (as opposed, say, to a different Distribution Charge).

It is the Company's position that the primary recognition of the MWRA's unique status as a customer is embodied in the Electric Power Supply Agreement which established a separate Rate WR and which clearly leads to a substantially lower (indeed, virtually zero in relation to other charges) Distribution Charge of approximately \$2700.00 per year. Moreover, that agreement specifically states that Rate WR will include "new charges generally applicable to other rates," which, given the fact that this agreement was executed over seven years prior to the Electric Restructuring Act, still seems like a fair characterization of the Transition Charge that is established pursuant to G.L. c. 164, §1G and the Restructuring Settlement Agreement. The other factors cited by the MWRA, such as their off-peak load shape or the existence of separate interconnection facilities investment, are not necessarily unique among other Boston Edison customers at all. While the construction of the underwater cable by HEEC, and the separate project financing for that cable are certainly unique in scale, it is not at all uncommon for customers to pay line extension charges or other similar facilities investment, to receive

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"partake[ ] of mixed characteristics of a customer-specific contract and a tariffed rate." D.P.U. /D.T.E. 96-23, at 33, n. 20. What should not be permissible is to switch back and forth depending

service at a remote location. See Exh. BEC-2, p. 3. Moreover, as noted by Mr. LaMontagne, the MWRA is presently not even the Company's only large customer taking service at 115 kV, and that customer presently takes service under Rate G-3 and pays the full Transition Charge on a per kWh basis. Tr. 132-133. Finally, with respect to the size of MWRA's load and its extremely favorable load shape, the Company would observe that the MWRA is fully able to take advantage of these characteristics, and presumably they have done, and are doing, just that as they enter into competitive supply arrangements.

Regarding the argument that the proposed tariff creates a disincentive for MWRA to pursue competitive supply opportunities, Boston Edison agrees that there is a mild disincentive. As to how large the disincentive is, the Company can only judge that it was not sufficient to prevent the MWRA from taking the step that they did, or to cause the MWRA to seek to resolve this issue before taking the step. Moreover, as noted in Section III. B, supra, it appears that the decision to go to the competitive market and leave Standard Offer Service was a reasonable decision and produced savings, notwithstanding the disincentive. Thus, while the requirement to pay the full Transition Charge, certainly reduces the total savings available to the MWRA, it does not remove the incentive altogether. Given the unique and attractive aspects of MWRA load on Deer Island, there is every reason to suppose that this situation would continue.

The MWRA also argues that the Department has already effectively determined in its Order in Boston Edison Company, D.T.E. 99-107 (Phase II), (August 31, 2000) that the MWRA's choice of a competitive supplier would not change the Transition and Distribution Charges under Rate WR. Exh. MWRA-LS, p. 9. The Company would

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characterization best fits the argument that is being attempted at the time.

suggest that the MWRA's reading of this Order is selective as to the portions they quote, and the interpretation is far too broad and goes far beyond the matter at issue in that proceeding, which was the manner of reconciling Transition Charges under the particular tariff at issue in that proceeding. Indeed the final sentence in the paragraph containing the sentence quoted by Ms. Smith states: "The Department makes no findings regarding the appropriateness of the Company's approach to the determination of either the transition or distribution charges for MWRA." D.T.E. 99-107 (Phase II), at 10. The MWRA's purported reliance on the cited language as a determination that they would never face a change in Transition or Distribution Charges in any future tariff filing is disingenuous.

In its Suspension Motion, but not again repeated in Ms. Smith's Direct Testimony, the MWRA also raises an argument that the proposed M.D.T.E. No. 974 tariff would violate the "rate freeze" under which the NSTAR companies currently operate as a result of the Department's Order approving the NSTAR merger. See Boston Edison Company/Cambridge Electric Light Company/Commonwealth Electric Company/Commonwealth Gas Company, D.T.E. 99-19 (1999). The Company would suggest that this is not a valid concern since the cited "rate freeze" was solely a freeze of Distribution rates (see D.T.E. 99-19, at 22) and the entirety of any additional "Delivery Services" revenues from the MWRA under the proposed tariff will be accounted for as part of the Transition Charge, which is a fully reconciling charge. Tr. 133-134. Boston Edison will therefore experience no increase in Distribution revenues as a result of the approval of M.D.T.E. No. 974.

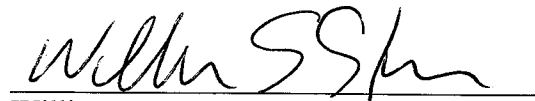
Finally, the Company would like to briefly address the MWRA's proposed alternative methodology. See Exh. MWRA-LS, pp. 10-11. In the Company's view, this "alternative" is essentially little more than freezing the result of the current methodology into the future. Even more disturbing is the apparent proposal that this would be an appropriate mechanism to continue in the "post rate cap period," which the Company understands as the period after the end of Standard Offer Service. Clearly any such proposal is premature at this stage; however, the proposal does serve to highlight the essential arbitrariness of the entire MWRA approach. The MWRA has argued long and vigorously that Rate WR is cost-based and that the MWRA should pay lower rates, including lower Transition Charges, because it was responsible for fewer costs. See, e.g., Exh. MWRA-LS, p.7. The proposed alternative methodology, however, is built on an approach where the Transition Charge component is determined as a residual at a point in time (based primarily upon the difference between two numbers, an inflated overall rate cap and the current Standard Offer Service rate) and then essentially freezing that approach into the future, including the period when there is no rate cap and no Standard Offer. In the Company's view, this approach is completely arbitrary, but most fundamentally it cements an approach for all time where Rate WR pays less Transition Charge than any other rate class. This is fundamentally unfair and violative of Department precedent and the Restructuring Settlement Agreement principle that all rate classes should pay "uniform cents per kilowatt-hour access charges." Restructuring Settlement Agreement, Section I.B.4.

#### IV. CONCLUSION

Accordingly, for all the reasons stated above and in the Company's initial filing in this matter, Boston Edison respectfully requests that the Department approve M.D.T.E. No. 974.

Respectfully submitted,

BOSTON EDISON COMPANY  
by its attorney

A handwritten signature in dark ink, appearing to read "William S. Stowe", is written over a horizontal line.

William S. Stowe  
800 Boylston Street  
Boston, MA 02199  
(617) 424-2544  
(617) 424-2733 - fax

Dated: February 28, 2002

## **APPENDIX**

### **D.T.E. 01-108**

#### **Boston Edison Company's Proposed Findings of Fact and Conclusion of Law**

##### **Proposed Findings of Fact**

1. The MWRA has received electric service at its Deer Island Treatment Facility since 1991 under Rate WR, established pursuant to Boston Edison Company, D.P.U. 90-288 (1991). In practice, Rate WR applies only to a single customer and has taken into account the unique characteristics of service to MWRA, including the fact that electricity is delivered only at the 115-kilovolt level. Rate WR has otherwise remained subject to all "new charges generally applicable to all tariffs." Exh. BEC-2, p. 3; Exh. DTE-1-1 (reference Article 4 of attached Electric Power Supply Agreement).
2. As a result of the Electric Restructuring Act, since March 1, 1998 Rate WR has been restructured so as to provide the MWRA a 10%, and later 15%, reduction in overall rates as compared to those in effect prior to restructuring based upon the MWRA's receipt of Standard Offer Service. Such rates have included a bundled Delivery Services charge with an embedded Transition Charge recovery at a rate below that applicable to other rate classes. Exh. BEC-2, p. 3.
3. As of November 1, 2001, the MWRA has left Standard Offer Service. Exh. BEC-2, p. 4.
4. Boston Edison filed M.D.T.E. No. 974 for Department approval based upon the stated position that the MWRA had left Standard Offer Service and was no longer

eligible for any statutory rate discount and should pay full undiscounted level of all charges, including Transition Charge, that are generally applicable to all tariffs. Exh. BEC-1; Exh. BEC-2, pp. 4-5.

5. The overall cost impact on the MWRA under M.D.T.E. No. 974, including the increased cost for Delivery Services offset by the savings from leaving Standard Offer Service, is not unreasonable and shows overall savings for the MWRA. Exh. BEC-11, Tr. 31.
6. All additional Delivery Services revenues to be received by Boston Edison pursuant to M.D.T.E. No. 974 will be accounted for as part of the Transition Charge, which is a fully reconciling charge for all of Boston Edison's customers. Tr. 133-134.

#### **Proposed Conclusions of Law**

1. The provision of statutory rate reductions under G.L. c. 164, §1B(b) is required only to those customers who choose not to purchase electricity from a competitive supplier and who thereby remain on Standard Offer Service. G.L. c. 164, §1B(b).
2. Apart from being a recipient of Standard Offer Service and thereby entitled to required statutory rate reductions, all customer rate classes, including Rate WR, are required pursuant to normal ratemaking principles and applicable Department precedent, to pay all generally applicable tariffed charges. One such charge is the Transition Charge, which is appropriately applied to all rate classes including Rate WR on a uniform cents per kWh basis. Restructuring Settlement Agreement, Sections I.B.1. (c) and I.B.4, approved pursuant to Boston Edison

Company, D.P.U./D.T.E. 96-23 (1998); see also Fitchburg Gas and Electric Light Company, D.T.E. 97-115/98-20, at 40 (1999).

3. The rates set forth in M.D.T.E. No. 974 are fair and reasonable, are supported by substantial evidence and should be approved. G.L. c. 164, §94; see Initial Brief of Boston Edison Company, D.T.E. 01-108.